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SIPDIS

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SUBJECT: (U) MEPI 03-04: COUNTRY STRATEGY FOR KUWAIT

REF: STATE 126550

1. (SBU) Post welcomes the opportunity to present this MEPI country strategy for Kuwait. As we consider how best to engage on these issues, particularly on sensitive issues such as political reform and education (where the U.S. has already been unjustly accused of inappropriate interference), it is important to ensure that we do a lot of listening before endorsing specific projects, and that we work behind the scenes to build up the capacity of like-minded local advocacy groups to press their case. We will also need to spend sufficient time and effort to persuade Kuwait's leaders that their national interest is best served by reform. (This is a point that they seem to accept intellectually, but on which they are either unwilling or unable to act.)

2. (U) The strategies below are delineated by pillar.

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ECONOMIC REFORM PILLAR  
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3. (SBU) Where Kuwait should be in three to five years: The challenge for Kuwait is to reduce the role of the public sector in the economy. Within three to five years, frameworks to regulate privatized industries (including the introduction and enforcement of a rigorous competition policy) should be in place. Current barriers to investment (including outdated agency laws and ownership restrictions) should be falling, as should barriers to trade (such as the wrong-headed International Conformity Certificate Program). Kuwait should begin taking an active role in the WTO. Trade and customs rules should be sufficiently modernized and streamlined to ensure that the country is the main entrepot for movement of goods and services into a rebuilding Iraq. Small-scale privatizations should have begun.

4. (SBU) Strategies to get there:

Intellectual Property Rights (IPR) Reform:  
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(Supports MEPI Goals of global competitiveness and encouraging investment.) Kuwait's current IPR laws (the Copyright law, specifically) are not fully TRIPS compliant. Further, enforcement mechanisms are weak, penalties are barely a slap on the wrist, and judges and prosecutors do not have sufficient background or training. As a result, piracy rates in Kuwait are approaching 80 percent for some products.

Improving IPR protection will require several steps: programs to review and improve current legal frameworks (working with both government and National Assembly representatives); extended training and/or technical assistance programs for police investigators and officers on detecting and apprehending pirates; and extended training and/or technical assistance programs to train judges and prosecutors. Justice officials will also benefit from programs that focus on rules of evidence, and on the benefits of establishing a special IPR court. Finally, we should work with GOK officials on a public relations campaign to change attitudes about IPR protection.

Commercial Law Reform  
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(Supports MEPI Goals of global competitiveness and encouraging investment.) Current commercial laws in Kuwait are not extraordinarily bad, but the legal process is slow and opaque. Tax law, on the other hand, is bad (with a top

rate of 55 percent), old (passed in 1955), discriminatory (applies only to non-Kuwaiti firms) and opaque (the tax department appears to rule anyway it wants, regularly ignoring precedent). The lack of consistency, transparency, and predictability of both tax and commercial law are key impediments to attracting both foreign and domestic investment.

The GOK has on several occasions requested consultations with Treasury on negotiating a bilateral tax treaty and the request has been turned down flat due to the discriminatory nature of the GOK tax law. We recommend engaging the GOK in serious discussions on such a treaty, but hinging the conclusion of the agreement on deep changes in the current GOK tax scheme. As for commercial Law Reform, we understand that the Department of Justice is moving forward with plans to establish a Regional Legal Advisor (RLA) position in the Gulf; we believe this is an excellent step. Additionally (and cross cutting to political reform and the President's plan for training parliamentarians), Kuwait's National Assembly has very few professional staff in key areas such as researching and drafting legislation. A technical assistance program to help the legislature build professional staff for its key committees, or even to establish something along the lines of our own Congressional Research Service, would immensely enhance the Assembly's effectiveness. Also, in an effort to increase transparency, the USG could work with our OECD partners in a determined effort to get Gulf States like Kuwait to abide by the OECD's anti-bribery conventions.

#### Reducing the Role of Government in the Economy

(Supports MEPI Goals of Encouraging Investment and Facilitating SME Growth.) Approximately 92 percent of employed Kuwaiti citizens work for the Kuwaiti government, and approximately 80 percent of budgeted government revenues are used to pay salaries and wages. The government dominates nearly every facet of the economy; public-sector wages and salaries have become a mechanism to distribute oil wealth.

While many proclaim that privatization is the only solution, privatization alone will not be sufficient. Before privatization begins, the USG should offer technical assistance in developing regulatory systems and comprehensive, rigorous competition policy, to ensure that public monopolies do not simply become private monopolies. In addition, prior to privatizing state-owned firms and government services, competition and investment rules should be written to encourage domestic and foreign investment. Training programs to improve business skills of displaced government workers and new graduates (both men and women) will be necessary to ensure that these new entrants into the private labor force have the required expertise (cross cuts to the Education pillar).

#### EDUCATION REFORM PILLAR

15. (SBU) Where Kuwait should be in three to five years: School curricula emphasize excellence in math and science skills, focusing on critical thinking skills and preparation to enter the (private) workplace. New private universities expand educational choice and create competition for educational services.

16. (SBU) Strategies to get there:

The issue of educational reform is highly politicized in Kuwait. Islamists have in the past (falsely) accused the embassy of pushing for the expurgation of Quranic texts from school curricula, and a senior Ministry of Education official, a noted progressive administrator, has told us that

she fears that  
USG program involvement in educational reform would be a  
lightning rod for  
local criticism. Any MEPI educational initiatives involving  
Kuwait must,  
therefore, have the lightest USG fingerprint possible if they  
are to succeed.  
With this caveat in mind, we propose the following strategies:

- Use the International Visitor program to expose Ministry of Education officials to curriculum reform/civil society programs in the US, and build on these relationships to influence internal reform efforts. (Post is sending an MOE official charged with curriculum development on an upcoming civil society IV program this fall.)

- Establish summer programs in the US for Kuwaiti middle/high school students ages 12-17. Such a program would allow young Kuwaitis an opportunity to see themselves and their culture in an international context--an important goal in an environment where Islamist teachers and administrators sometimes impart a stridently polarized and sectarian worldview to the young.

- Seek GOK involvement in proposed MEPI Arabic book translation pilot program for third and fourth grades. (Again, USG profile for this program would have to be very low.)

- Communicate to Kuwaiti audiences that countries that adopt educational strategies that emphasize critical thinking, foreign languages and knowledge of foreign cultures tend to be strong and well-integrated into the international economy, while countries that do not tend to be weak and isolated. Use speaker programs, op/eds and discussions by embassy officers to emphasize this point.

--Work with Kuwait University to establish American Studies courses and increase American studies course content.

--Explore opportunities to develop cooperative relationships with Kuwait's new private universities as they begin operations.

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POLITICAL REFORM PILLAR  
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17. (SBU) Where Kuwait should be in three to five years:  
Women have full  
political rights. All citizens have full political rights.  
Political parties  
allowed to form and participate in the political process.  
Kuwait's parliament  
becoming a partner in, and not an obstacle to, the country's  
political and  
economic development. Kuwaitis begin to understand that the  
rights of  
citizenship also come with significant responsibilities.  
NGOs to track  
government transparency and accountability begin to operate  
in Kuwait.

18. (SBU) Strategies to get there (all support MEPI goals of  
strengthening  
democratic processes and promoting the rule of law and  
accountable, effective  
government institutions):

Women's political rights:  
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Our overall strategy must be to support indigenous efforts.  
It would be  
counter-productive to foster public perception that the US  
seeks to impose its  
own cultural or religious values. We propose a program of  
concurrent  
interventions targeting three audiences: women's-rights  
advocates themselves,  
Kuwaiti society at large, and policy makers.

- Strengthen the capacity of women's advocacy groups through

-- establish a Leadership Development Institute for women in  
Kuwait.  
Kuwaiti womens' rights activists have already been in contact

with NDI on this  
issue;

-- workshops on developing effective advocacy campaigns.  
Kuwaiti womens'  
rights activists have expressed interest in mounting an  
advocacy campaign to  
push for equal benefits for women under Kuwait's child  
allowance law;

-- facilitation of contacts and mutual support among Arab and  
Muslim women from  
many countries.

- Help Kuwaiti women transcend their social and political  
differences through a  
gender-budgeting analysis (funding requested per ref B) to  
highlight issues of  
common concern, such as unequal treatment of female-headed  
households, gender  
imbalance in health, education and family-related services.

- Raise public consciousness of the impact on society of the  
degree of female  
empowerment, through guest speakers, publications,  
round-tables, media events.

- Dialogue with policy makers: senior USG officials should  
convey consistently  
that gender equality is both politically important to us and  
highly beneficial  
to society. Decision-makers should be exposed to the same  
substantive  
information used in public consciousness raising.

#### Political parties:

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The impediment to the existence of political parties is  
governmental  
opposition, presumably based on fear that parties would be  
harder to control.  
The result is that the most organized groups in the National  
Assembly are the  
Islamists, who share a defined ideology and agenda (though  
even they are  
divided into at least four distinct groups in the Assembly).  
We propose a  
strategy of policy dialogue and public awareness-raising,  
featuring consistent  
affirmations of the right of association, and examination of  
the impact the  
prohibition on political parties is having on the character  
and quality of the  
National Assembly.

#### Parliament:

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Kuwait's National Assembly is the oldest national democratic  
institution in any  
of the Arab Gulf states. As such, it is a source of national  
pride and a  
factor in the stability of the country. Yet the institution  
shows very mixed  
quality -- not surprising, as some of its members can be  
elected with less than  
a thousand votes. We propose to offer access to  
capacity-building courses for  
members and staffers. Key areas of interest include budget  
analysis; effective  
oversight; and research skills/resources, so that on a given  
issue the Assembly  
can draw on best practices and lessons learned from around  
the world.

#### Civil-society monitoring of government:

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We propose to strengthen the ability of existing NGOs to act  
as responsible  
"watchdogs," by offering training workshops and facilitating  
institutional  
contact with reputable similar organizations abroad. We also  
propose that the  
US policy dialogue with the GOK encourage openness to  
responsible civil-society  
watchdog groups. The following themes suggest themselves:  
transparency and  
accountability are fundamental to the long-term health of  
government and the  
stability of society; all governments are subject to outside  
scrutiny in  
today's inter-connected world; Kuwait's international  
reputation is best  
protected by openness and responsiveness.

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